

Ocean Energy Bureau, Interior

§ 203.45

(1) Provide written notification to the MMS Regional Supervisor for Production and Development that production has begun; and

(2) Request confirmation of the size of the royalty suspension volume earned by your lease.

(c) Before beginning production, you must meet any production measurement requirements that the MMS Regional Supervisor for Production and Development has determined are necessary under 30 CFR part 250, subpart L.

(d) You must provide the information in paragraph (b) of this section by January 20, 2009 if you produced before December 18, 2008 from a qualified deep well or qualified phase 1 ultra-deep well on a lease that is located entirely in water more than 200 meters and less than 400 meters deep.

(e) The MMS Regional Supervisor for Production and Development may extend the deadline for beginning production for up to one year for a well that cannot begin production before the applicable date prescribed in the definition of “qualified deep well” in § 203.0 if it meets all of the following criteria.

(1) The well otherwise meets the criteria in the definition of a qualified deep well in § 203.0.

(2) The delay in production occurred after reaching total depth in the well.

(3) Production (other than test production) was expected to begin from the well before the applicable deadline in the definition of a qualified deep well in § 203.0. You must provide a credible activity schedule with supporting documentation.

(4) The delay in beginning production is for reasons beyond your control, such as adverse weather and accidents which MMS deems were unavoidable.

[69 FR 3510, Jan. 26, 2004, as amended at 69 FR 24054, Apr. 30, 2004. Redesignated and amended at 73 FR 69512, 69513, Nov. 18, 2008]

§ 203.45 If I drill a certified unsuccessful well, what royalty relief will my lease earn?

Your lease may earn a royalty suspension supplement. Subject to paragraph (d) of this section, the royalty suspension supplement is in addition to any royalty suspension volume your lease may earn under § 203.41.

(a) If you drill a certified unsuccessful well and you satisfy the administrative requirements of § 203.47, subject to the price conditions in § 203.48, your lease earns an RSS shown in the following table. The RSS is shown in billions of cubic feet of gas equivalent (BCFE) or in thousands of cubic feet of gas equivalent (MCFE) and is applicable to oil and gas production as prescribed in § 204.46.

If you have a certified unsuccessful well that is:	Then your lease earns an RSS on this volume of oil and gas production as prescribed in this section and § 203.46:
(1) An original well and your lease has not produced gas or oil from a deep well or an ultra-deep well,	5 BCFE.
(2) A sidetrack (with a sidetrack measured depth of at least 10,000 feet) and your lease has not produced gas or oil from a deep well or an ultra-deep well,	0.8 BCFE plus 120 MCFE times sidetrack measured depth (rounded to the nearest 100 feet) but no more than 5 BCFE.
(3) An original well or a sidetrack (with a sidetrack measured depth of at least 10,000 feet) and your lease has produced gas or oil from a deep well with a perforated interval the top of which is from 15,000 to less than 18,000 feet TVD SS,	2 BCFE.

(b) This paragraph applies to oil and gas volumes you report on the OGOR-A for your lease under § 216.53.

(1) You must apply the RSS prescribed in paragraph (a) of this section, in accordance with the requirements in § 203.46, to all oil and gas produced from the lease:

(i) On or after December 18, 2008, if your lease is located in water more

than 200 meters but less than 400 meters deep; or

(ii) On or after May 3, 2004, if your lease is located in water partly or entirely less than 200 meters deep.

(2) Production to which an RSV applies under §§ 203.31 through 203.33 and §§ 203.41 through 203.43 does not count toward the lease RSS. All other production, including production that is

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not subject to royalty, counts toward the lease RSS.

Example 1: If you drill a certified unsuccessful well that is an original well to a target 19,000 feet TVD SS, your lease earns an RSS of 5 BCFE that would be applied to gas and oil production if your lease has not previously produced from a deep well or an ultra-deep well, or you earn an RSS of 2 BCFE of gas and oil production if your lease has previously produced from a deep well with a perforated interval from 15,000 to less than 18,000 feet TVD SS, as prescribed in § 203.46.

Example 2: If you drill a certified unsuccessful well that is a sidetrack that reaches a target 19,000 feet TVD SS, that has a sidetrack measured depth of 12,545 feet, and your lease has not produced gas or oil from any deep well or ultra-deep well, MMS rounds the sidetrack measured depth to 12,500 feet and your lease earns an RSS of 2.3 BCFE of gas and oil production as prescribed in § 203.45.

(c) The conversion from oil to gas for using the royalty suspension supplement is specified in § 203.73.

(d) Each lease is eligible for up to two royalty suspension supplements. Therefore, the total royalty suspension supplement for a lease cannot exceed 10 BCFE.

(1) You may not earn more than one royalty suspension supplement from a single wellbore.

(2) If you begin drilling a certified unsuccessful well on one lease but the completion target is on a second lease, the entire royalty suspension supplement belongs to the second lease. However, if the target straddles a lease line, the lease where the surface of the well is located earns the royalty suspension supplement.

(e) If the same wellbore that earns an RSS as a certified unsuccessful well later produces from a perforated interval the top of which is 15,000 feet TVD or deeper and becomes a qualified well, it will be subject to the following conditions:

(1) Beginning on the date production starts, you must stop applying the royalty suspension supplement earned by that wellbore to your lease production.

(2) If the completion of this qualified well is on your lease or, in the case of a directional well, is on another lease, then you must subtract from the royalty suspension volume earned by that qualified well the royalty suspension supplement amounts earned by that

wellbore that have already been applied either on your lease or any other lease. The difference represents the royalty suspension volume earned by the qualified well.

(f) If the same wellbore that earned a royalty suspension supplement later has a sidetrack drilled from that wellbore, you are not required to subtract any royalty suspension supplement earned by that wellbore from the royalty suspension volume that may be earned by the sidetrack.

(g) You owe minimum royalties or rentals in accordance with your lease terms notwithstanding any royalty suspension supplements under this section.

[69 FR 3510, Jan. 26, 2004, as amended at 69 FR 24054, Apr. 30, 2004; 72 FR 25198, May 4, 2007; 73 FR 15890, Mar. 26, 2008. Redesignated and amended at 73 FR 69512, 69513, Nov. 18, 2008; 74 FR 46907, Sept. 14, 2009]

§ 203.46 To which production do I apply the royalty suspension supplements from drilling one or two certified unsuccessful wells on my lease?

(a) Subject to the requirements of §§ 203.40, 203.43, 203.45, 203.47, and 203.48, you must apply an RSS in § 203.45 to the earliest oil and gas production:

(1) Occurring on and after the day you file the information under § 204.47(b),

(2) From, or allocated under an MMS-approved unit agreement to, the lease on which the certified unsuccessful well was drilled, without regard to the drilling depth of the well producing the gas or oil.

(b) If you have a royalty suspension volume for the lease under § 203.41, you must use the royalty suspension volumes for gas produced from qualified wells on the lease before using royalty suspension supplements for gas produced from qualified wells.

Example to paragraph (b): You have two shallow oil wells on your lease. Then you drill a certified unsuccessful well and earn a royalty suspension supplement of 5 BCFE. Thereafter, you begin production from an original well that is a qualified well that earns a royalty suspension volume of 15 BCF. You use only 2 BCFE of the royalty suspension supplement before the oil wells deplete. You must use up the 15 BCF of royalty suspension volume before you use the remaining